

ASSESSING STANDARDS BOARD
Public Forum - Notes

DATE: November 6, 2013

TIME: 3:15 p.m.

LOCATION: Radisson Hotel, 700 Elm Street, Manchester

BOARD MEMBERS:

Senator David Pierce ~ *Absent*
Representative Priscilla Lockwood ~ *Absent*
Len Gerzon, Public Member, Chairman
Robert J. Gagne, NHAAO, City, Vice-Chairman
Joseph Lessard, NHAAO, Towns >3,000
Marti Noel, NHAAO
Betsey Patten, Public Member
Vacant ~ Municipal Official, Towns >3,000

Senator Bette Lasky ~ *Absent*
Representative Peter Schmidt
Stephan Hamilton, NHDRA
Eric Stohl, Municipal Official, Towns <3,000
Todd Haywood, NHAAO, Towns <3,000
Thomas Thomson, Public Member ~ *Absent*
Vacant, Municipal Official, City

Chairman Gerzon convened the meeting at 3:15 p.m. and welcomed those attending.

Introductions took place of the Members of the Board.

Mr. Hamilton summarized the board's work over the past year.

Legislative Changes for 2013

- RSA 21-J-a II, (f) – Reduced the population requirements for representation of municipal officials on the board. Previous requirement was greater than and less than a population of 5,000; the change was to greater than and less than a population of 3,000 to better represent the median of communities in the State. *Effective July 15, 2013.*
- The ASB legislative duty to recommend a reimbursement for compensation to municipalities for increased expenditures for assessing, under RSA 21-J:11-a, III, was repealed; The RSA was amended to eliminate the duty of the ASB. *Effective May 16, 2013.*
- Finalization of the merger of duties between the Equalization Standards Board to the ASB; the ASB duties in RSA 21-J:14 (b) were increased by three paragraphs. *Effective July 15, 2013.*
 - Existence of ESB was repealed in RSA 21-J:14 (c) and (d). *Effective July 15, 2013.*

Proposed Legislative Changes for 2014

- A statutory duty imposed at the creation of the ASB to define *sales chasing*
 - What it does and does not mean

- To identify a treatment of the practice within the law
- The ASB is recommending language in statute to address when intentional sales chasing occurs and to make clear it is a prohibited practice in assessing. The intent of the definition will coincide with the definition in the equalization manual.

Equalization Manual – (*Equalization Subcommittee (ESC) – Todd Haywood, Chairman*)

Technical manual used by the department for the annual equalization process

Updates to the manual include:

- Added definition of sales chasing to help identify the practice
 - Wasserstein and Davis recommendation to the ESB (after the Sirrell Decision) pertaining to the confidence interval.
 - If a confidence interval spanned 1.00, then equalization was unnecessary as the ratio was assumed to be 1.00
 - The ESC received information about how this process was impacting communities, in particular the smaller communities, causing disproportionate results of the total equalized values.
 - This practice has been removed; a calculated ratio will be used (most commonly the weighted mean ratio)
- Language corrections pertaining to the equalization process and practices; they are being updated to reflect current practices which include the new mosaic system.

Reference Manual - (*Manual Subcommittee*)

Chairman Gerzon stated the subcommittee has been working over the past year to refresh the reference manual (*first published in 2008*) for taxpayers, selectmen and assessors. Public feedback is encouraged and welcomed.

The intent of the manual is to provide a common understanding of assessing practices. A draft of the manual is available on-line on the DRA website: (http://www.revenue.nh.gov/munc_prop/assessing-board/index.htm).

Future Tasks

- Comparison of Asb and Rev 600 rules for consistency in definitions and terms and to make sure there is a common set of language for each activity
- Standards for Property Record Cards – minimum standards to include making available an explanation for codes to the public
- Ethical Code into rulemaking format

- Review of Certification Levels – make sure the existing (4) levels are serving the public and assessors
- Defining market transactions. This topic is at the ESC level to make sure we understand what an arm's length transaction is; what is open market and sufficient market exposure
- Data Availability – How to improve data availability; how to get common data sources available to assessing personnel

Mr. Hamilton added, although requests have been denied in various stages by the legislature; that does not mean we should stop thinking about how we could collect and possibly pool this information about rents and expenses in order to help assess these unique properties in a fair in equitable manner.

- Strengthening reliance on USPAP

Assessment Review Standards

- Adopted on March 22, 2013
- Statutory change from “guidelines” to *standards*
- Revised to provide smaller and greater margins of accuracy errors in an effort to make sure the standards we are testing compared to those we are finding in the field
- Allows for equivalent documentation of the current use application and information – difficulties found between properties enrolled early in the program when minimal documentation was required compared to more documentation required to enroll now
- Will be in place for the next assessment review cycle

Questions and Answers

Q. Which ratio will be used for the equalization ratio?

A. Most typically it is the weighted mean ratio although a substitute ratio may be used if found to be more accurate based on information received.

Q. What do you mean about further reliance on USPAP?

A. For example, there appears to be some controversy pertaining to USPAP for mass appraisal and special purpose properties.

Standards 1 and 2 are applied to the general fee appraisals of individual properties; Standard 6 is about mass appraisal. There has been minimal discussion on the board as to what it really means for assessors or people doing this work to be in compliance with Standards 1 and 2, in addition to Standard 6.

Comment

Mr. Bartlett expressed concern with the direction the ASB has been going requiring USPAP, manuals, etc. but at the same time there has been no work done by the ASB to make requirements for tax reps or taxpayers that appeal their assessments. It is creating a situation that is difficult for assessors

because we are bound by USPAP now to set and defend our values. Appraisers that are going before the BTLA and more so before Superior Court they have very few requirements and limitations of what they can do almost creating an unfair situation. Prior ASB discussions took place to look at the appeal provisions in statute. If you are going to tie our hands, it should go for both sides.

Request: If you are going to look at and make more requirements for USPAP, you also have to look at the appeal procedures for taxpayers at the same time.

Request: Definition of sales chasing should be put into rules and an addition of a remedy in the disciplinary section for a violation of sales chasing.

Mr. Bartlett added defining sales chasing in rules would also satisfy the statutory requirement.

Mr. Gagne reiterated this is a statutory requirement so there will be a statutory change either way. This will follow the same process as the contribution formula. Either the definition will be added to statute or the statutory requirement will be removed from the ASB's charge.

Comment

Mr. Michaud referenced item IV in the Assessment Review Standards stating the sample size of ratio study shall contain at least 2% of the total taxable parcels in a municipality. It is his understanding the DRA does not calculate what that 2% number is and since the DRA does not calculate that number, there is no way to determine whether or not a municipality has reached 2% of their total taxable properties.

Request: The DRA calculate 2% of the total taxable parcels in each municipality.

Q. Can you further explain the certification level issue, and why?

A. A request was received to look at whether the existing (4) levels of certification are sufficient for all the activities that are going on or if we need to add one more. The board has not had this discussion.

Q. How can you get down to a 10th of a percent for a ratio? Can it be rounded to a whole number? Why is a confidence interval in place?

A. This has historically been the process. The point estimate within that confidence interval is generally understood in statistics to be the most reliable number.

Comment

Mr. Bernaiche stated he was glad the board was supporting the effort into getting commercial and industrial income and expense data as it is an important part of what assessors do.

Request:

The board show more support of the fact that the inspection process requires assessors to be more accurate with the data but there are no statutory provisions to assist with that.

Comment

Mr. Michaud clarified the legislature repealed the contribution formula however they did not say the Assessment Review process did not cost the communities more money; they just eliminated that requirement of the ASB.

Mr. Michaud, expressed concern pertaining to the 2nd paragraph of the definition of sales chasing for the equalization manual, as to how this paragraph will be interpreted by any enforcement tribunal. If you collect the data on properties that sold but do not collect data on properties that did not sell, it seems to imply that is sales chasing. How will it be interpreted if you are only going out to properties that sell, have building permits or abatements? Is data chasing the same as sales chasing?

Mr. Haywood stated the board has had a lengthy discussion on this topic. The concern is directed more toward the result of data changes only going in the direction of the sale price. If you have a manual that describes when a change is made, that should be sufficient. A discussion followed.

Mr. Michaud referenced a bullet under the Proposed 2014 Legislative Changes pertaining to the definition of sales chasing, which states, *"It will include a definition of sales chasing proposed to coincide with the Equalization Manual Definition,"* which he believes implies the definition of sales chasing in the equalization manual will be put into the legislative definition. Mr. Hamilton responded that does not state it will be proposed verbatim, but it will approximate the definition. Mr. Lessard added the definition of sales chasing provided is intended solely for the equalization manual as it pertains to the equalization process. It is not the definition proposed for legislation. It is only the first sentence of the first paragraph being considered for legislation. Mr. Lessard reiterated that by having a data collection manual, an objective standard, available to defend assessment changes should alleviate this concern.

Ms. Lentz stated it will not be the assessors but the taxpayers who will not understand what the definition means. The amount of letters that will come in, in response to the definition, will be substantial.

Ms. McAllister stated the public opinion of assessors is, in large part, negative. Assessors are having more work added with even more restrictions causing less ability to do our job accurately. People need to understand the real life practice that we do with the restrictions that are in place in legislation, standards and rules.

Chairman Gerzon thanked the audience for their input and stated the concerns expressed will be addressed by the board. He encouraged participation through the attendance of meetings or comments submitted to the board through e-mail or mail.

Manual

Chairman Gerzon acknowledged the committee working on the manual and summarized the following elements:

- Simpler language and explanations
- Statutory updates
- On-line access to glossary terms and RSAs
- Addition of Glossary and Frequently Asked Questions
- Definition of sales chasing

Chairman Gerzon read the special acknowledgement dedicated to Betsy Patten, to be included in the manual. Ms. Patten received a standing ovation from the audience thanking her for the work she led the board to complete as chairman.

Request: Mr. Michaud requested the agenda, if possible, be posted or distributed prior to the meeting date.

No further comments were received.

Mr. Gagne ***motioned to adjourn.*** Mr. Lessard ***seconded the motion.***

Chairman Gerzon adjourned the public forum at 4:21 p.m.

Respectfully Submitted, Stephanie Derosier
NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by:

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